

# OFFICER DECISION NOTICE



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This notice is to be used for the following types of officer decisions. (Select one option).

**A.** Decisions taken by officers under a specific express delegation from Council or a Committee.

**B.** Decisions taken by officers under a general delegation from Council or a Committee, which relates to (i) a permission or a licence, or (ii) the rights of an individual, or (iii) a contract or expenditure over £100,000.

<b>1. Title of decision:</b>	Homes for Reading
<b>2. Date of the decision:</b>	17 July 2024
<b>3. The decision maker:</b>	Darren Carter, Director of Finance

#### 4. Decision details:

In 2016 Reading Borough Council (RBC) established Homes for Reading (HfR) as a wholly owned housing company with the view to acquiring properties and letting on the open market at market rents.

On 22 January 2024, Policy Committee approved a recommendation to consult with the Board and tenants of Homes for Reading Ltd (HfR) on the possible closure of the company and a transfer of the properties into the Housing Revenue Account to be designated as key worker housing.

The Committee delegated authority to the Director of Finance, in consultation with the Assistant Director of Legal and Democratic Services, to respond to all consultation responses and to finalise the decision on behalf of the Council if there are no significant points raised which do not need, in the view of the Director, to be returned to Policy Committee for final decision.

The Council met with the Board of Homes for Reading on 1 February 2024. The Board understood the reasons for the Council proceeding in with the consultation for closure, and they made various suggestions as regards the communications with tenants. These suggestions were implemented over the next two weeks, to refine the documentation and to ensure that as far as possible tenants had accessible ways to report their concerns to the Council. The Board did not identify any further ways in which the Council could avoid the financial situation outlined to Policy Committee.

The Council commenced consultation with tenants of HfR on 19th February 2024 by writing to each tenant, the letter being accompanied by a detailed consultation document and question and answer document. In addition, a leaflet 'Finding Rented Accommodation' was enclosed.

The consultation document, in the form of a hand-delivered letter, set out why the Council was consulting; the issues relating to HfR and the financial imperatives; the three options proposed by Savilles and identified the Council's preferred option. The letter also set out the opportunity's tenants had to give their views.

The purpose of the consultation was to seek advice on the preferred option from those people who are most directly affected "as there may be issues which the Council is unaware of and should be understood and reported before the final decision is made".

The options available to tenants to comment on the proposals were:

- Calling the Customer Services Centre – comments were recorded and transcribed
- Sending comments and queries by email or letter
- Attending one of three residents' meetings online.

The consultation closed on March 31st at which time the following responses had been received:

- 38 tenants attended the three resident meetings (Group 1 – 8 tenants; Group 2 – 21 tenants; Group 3 – 9 tenants). Some of the tenants attending the residents' meetings had also responded by email.
- An open letter
- 87 emails were received from 57 tenants
- 10 calls to the Call Centre were transcribed.

The response rate to the consultation was high. The most popular means of response was through email: 58% of properties sending emails. 39% attended online resident meetings and 10% made calls to the Contact Centre which were transcribed.

The consultation closed on March 31st 2024.

Throughout the consultation, all consultation responses were collated by colleagues in Housing Services and sent to me and the Assistant Director of Legal and Democratic Services. We were able to identify any issues which were relevant to the consultation, and which may need a specific direct response.

I empathise with all of the tenants who wrote to the Council during this time describing the distress and disruption that this consultation, and the proposed decision would have on their lives. I recognise that this is a significant issue for all tenants and the Council is in the regrettable position of having to reverse a previously announced policy to encourage residents to consider HfR as a long-term solution to their housing needs. Unfortunately, as the original Policy Committee paper describes, the financial situation and context for the Council in 2024 is not the same as when the Council took the decision to form HfR.

I was also present at a meeting of the Policy Committee on 22 April when a petition was presented by Raven Lee on behalf of HfR residents. I note the petitioners concerns and I also note the response by the then Lead Councillor, Cllr Ellie Emberson. Details of the petition and response can be viewed here: [link](#).

During the consultation, it became clear that there was a need for face-to-face meetings with residents. These were subsequently organised by the interim Assistant Director for Housing and Communities. An open letter from HfR tenants was received by the Council and the interim Assistant Director responded to the letter.

A detailed report on the consultation responses was prepared by an independent specialist company, this report details the individual concerns, the public meetings and the open letter. I have taken this report into account in arriving at my final decision.

The consultation responses largely focussed on the impact the decision would have on tenants, and the support that would be in place if the recommended option was implemented. Nevertheless, it was clear that the preference of the large majority, would have been to keep HfR as it is. Alternative suggestions included:

- introducing the opportunity for tenants to buy the properties, mirroring the 'Right to Buy' options for Council houses;
- transferring the properties into the General Fund and allowing existing tenant to remain in the properties;
- gradual exits from the properties as tenants move on; and
- the transfer or selling of the properties to an independent scheme, (e.g. Housing Association) with tenants in place.

I have considered the opportunity for tenants to buy properties, mirroring the Right to Buy options for Council houses. Right to Buy does not apply for these properties but, if it did, the discounted sale price would not be at market value and so would not be sufficient to repay the level of debt outstanding. I have therefore discounted this option.

I have received specialist advice about the option of transferring the properties to the General Fund. This option will completely change the classification of the properties from assured tenancies to short-term letting as temporary accommodation. This would not support the continuation of existing tenancies and so I have therefore discounted it as an option.

Gradual exits from the properties as the tenants move on is not feasible because turnover has historically been low, and the sale of these empty properties would not be sufficient to produce capital receipts in a profile that would enable to company to repay the debt to RBC.

The option of selling of the properties to a Housing Association was one of the options included in the options appraisal presented to Policy Committee on 22 January 2024. This was not a viable alternative for the Council at that point due to a combination of the limited interest from Registered Providers and the forecast loss to Reading Borough Council of between £1.9m and £7.4m. This option was therefore not considered as the Council's preferred option. I have received confirmation from specialist advisors that any remodelling to bring the valuation to May 2024 levels is unlikely to materially change the above values.

No further information was presented to me during the consultation which outlined that there was a viable solution which had been overlooked by the Council.

I am content that, as a result of my review, there were no significant points raised during the consultation process that need to be referred back to Policy Committee.

Having consulted the Assistant Director of Legal and Democratic Services I therefore approve the recommended option to close Homes for Reading Ltd.

The 22 January 2024 Policy Committee delegated authority to the Assistant Director of Legal and Democratic Services to implement the decision. A report will be taken to the Homes for Reading Board to confirm the decision and to outline next steps.

The overall transitional period during which all tenants will receive appropriate assistance, properties will be repossessed, and arrangements made to incorporate them into the HRA, will last until late 2026, i.e. after the last expiry date for current Tenancy Agreements, subject to all tenants in the later phases departing before notices are issued.

**5. Reasons for the decision:**

That there is no prospect of Homes for Reading Ltd being able to repay the outstanding loans of £25.460 million and that the option to close the company and to transfer the properties into the Housing Revenue Account represents the best option to protect the finances of Reading Borough Council. No other feasible option has been presented that does not involve additional expenditure or risk for the Council.

**1) Alternative options considered (if any) and rejected:**

Options considered are:

- 2) Selling properties individually on the Open Market (at completion of tenancy)
- 3) Selling properties individually on the Open Market (4-Year phased basis)
- 4) Selling whole stock to private investor
- 5) Selling whole stock to a Registered Provider
- 6) Selling whole stock to RBC Housing Revenue Account (HRA)
- 7) Selling part of stock to RBC Housing Revenue Account (HRA) & Balance Phased over 4-years.
- 8) Private finance options
- 9) Efficiency savings
- 10) Expansion of the Company
- 11) Transfer of properties into the General Fund and allowing existing tenant to remain in the properties;
- 12) Introducing the opportunity for tenants to buy the properties, mirroring the 'Right to Buy' options for Council houses;

**6. List of open Background Papers:**

The Consultation report.

**7. List of confidential or exempt Background Papers:**

There are none.

**8. Any other matters taken into consideration:**

<input checked="" type="checkbox"/> Legitimate expectation of consultation	<input type="checkbox"/> Procedural requirements
<input type="checkbox"/> Public Health implications	<input type="checkbox"/> Environmental or Climate Change
<input type="checkbox"/> Health and Safety	<input type="checkbox"/> Risk Management implications
<input type="checkbox"/> Transparency of Information (FOI etc)	<input type="checkbox"/> Privacy Impact Assessments

<input type="checkbox"/> Human Rights Act Duties	<input type="checkbox"/> Equality Impact Assessment
<input type="checkbox"/> Corporate Parenting	<input type="checkbox"/> Community Safety
<input type="checkbox"/> Regulatory duties	<input type="checkbox"/> EU withdrawal
<input type="checkbox"/> Armed Forces Covenant	<input type="checkbox"/> Other

**Details of the matters taken into account:**

It was identified in the Policy Committee report of January 2022, that because of the statements previously made by the Council, some tenants may have an expectation of consultation about this change of direction. As a result of this, a consultation exercise was conducted from 19 February to 31 March 2024.

**9. Legal considerations**

The report to Policy Committee on 22 January 2024 set out the legal considerations. There are no additional legal considerations arising from this decision.

**10. Financial considerations**

The report to Policy Committee on 22 January 2024 set out the detailed financial considerations. Subsequent to the report to Policy Committee the Government amended the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 with respect to the duty to make Minimum Revenue Provision. As the application of Minimum Revenue Provision regulations was a significant factor in the recommendation to Policy Committee, I have undertaken a review to assess whether the new regulations would impact on the recommendation made by Policy Committee.

I am content that the new regulations do not have any substantive impact.

**11. Internal consultations**

I consulted with the Council's Corporate Management Team on 21 May 2024, and to the Leader and Deputy Leader on 22 May 2024. The responses from consultees were considered. No further options were identified to persuade me to propose an alternative course of action to the Council's Policy Committee.

Sections 13- 18: To be completed only for Decision A (express delegation from a Committee)

<b>12. The name of the Committee:</b>	Policy Committee
<b>13. Date of the meeting:</b>	22 January 2024
<b>14. Minute number:</b>	48
<b>15. The delegation given by the Committee:</b>	That the Director of Finance, in consultation with the Assistant Director of Legal and Democratic Services, be authorised to respond to all consultation responses and to finalise the decision on behalf of the Council if there were no significant points raised which did not need, in the view of the

	Director, to be reported to the Committee for final decision.
<b>16. The name of any member of the committee who declared a conflict of interest in relation to the decision:</b>	None.
<b>17. Any councillor or officer required to be consulted prior to the exercise of this delegation and details of their response.</b>	The Assistant Director of Legal and Democratic Services was consulted by email on 20 May 2024 with a copy of this draft ODN and agreed with the decision to proceed.